

Message Text

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PAGE 01 LAHORE 01206 051239Z

43

ACTION NEA-09

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FM AMCONSUL LAHORE

TO USDOC WASHDC

INFO SECSTATE WASHDC 0147

AMEMBASSY ISLAMABAD

AMCONSUL KARACHI

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E.O. 11652: N/A

TAGS: BEXP, MASS, PK

SUBJECT: CESSNA LOSES POTENTIAL SALE TO PAF

1. ACCORDING TO THE PAKISTAN TIMES FOR SEPT 5, THE PAKISTAN AIR FORCE HAS ADOPTED THE MFI-17 AS ITS NEW PRIMARY TRAINER.

2. CESSNA REP IN PAKISTAN, ARSHAD ULLAH KHAN, CONFIRMED TO ECON/COMMERCIAL OFFICER (MILLER-JONES) THAT LETTER OF CREDIT HAD RECENTLY BEEN OPENED BY GOP FOR 20 SWEDISH SAAB MFI-17S, AND EXPLAINED HISTORY OF SWITCH BY PAK MILITARY AWAY FROM AMERICAN-MADE CESSNA WHICH PAK ARMY AND AIR FORCE HAVE USED ALMOST EXCLUSIVELY FOR NUMBER OF YEARS FOR PILOT TRAINING AND OTHER MILITARY USE. STORY SUGGESTS SEVERAL REASONS WHY CESSNA LOST BID, ACCORDING TO KHAN. THESE ARE THAT A) IN END, CESSNA VP FOR MILITARY SALES, DERBY FRYE, DID NOT BELIEVE THERE WAS ENOUGH MONEY IN PAKISTAN TO PAY FOR LONG RANGE ORDER OF 200 T41D OR EQUIVALENT AIRCRAFT; B) ORIGINAL TENDER ISSUED BY GOP CALLED SPECIFICALLY FOR INITIAL DELIVERY OF 20 T41D AIRCRAFT, SO CESSNA BELIEVED IT WOULD AUTOMATICALLY GET THIS AND ANY LATER SALES ANYWAY; C) AT ONE POINT, QUESTION OF 20 PERCENT COMMISSION TO LOCAL AGENT WAS RAISED (WITH POSSIBLE ASSUMPTION THAT SOME OF THIS WOULD BE SPREAD AROUND AMONG INVOLVED BUREAUCRATS). CESSNA MADE POLICY

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PAGE 02 LAHORE 01206 051239Z

DECISION TO TRY CIRCUMVENT THIS ADDITIONAL LOSS TO ITS

POTENTIAL PROFIT BY DEALING DIRECTLY WITH GOP, AND THIS WAS NOT ACCEPTABLE TO (UNSPECIFIED) MILITARY PROCUREMENT PEOPLE; D) FINALLY, CRUCIALLY, AND RELATED TO (A), CESSNA WOULD NOT AGREE TO BUILD ASSEMBLY PLANT FOR LATER PRODUCTION OF SIMILAR AIRCRAFT UNDER LICENSE.

3. KHAN STATED THAT TWO PRINCIPAL REASONS WHY SAAB WON CONTRACT WERE AGGRESSIVE SALES EFFORT, AND AN AGREEMENT TO LICENSE AN ASSEMBLY PLANT. THERE IS ALSO POSSIBILITY THAT INCLUDED IN SALES PACKAGE WAS SOME OFFER OF ARMAMENTS FOR MFI-17 AND HINT THAT OTHER MILITARY AIRCRAFT MIGHT BE MADE AVAILABLE FOR SALE TO PAKISTAN. KHAN SAID THAT SAAB SENT TEAM OF REPS TO PAKISTAN WHO GAVE THOROUGH SALES PITCH, USING ONE OF THEIR PLANES. (AT SAME TIME, BRITISH ALSO HAD TEAM HERE TO DEMONSTRATE AND TRY SELL BULLDOG, A SIMILAR PLANE, BUT SWEDES WERE ABLE COMPLETELY CONVINCE PAF OF SUPERIORITY OF THEIR AIRCRAFT DESPITE ITS HIGHER PRICE.) KHAN ADDED THAT IN SPITE OF HIS OWN BEST EFFORTS, THOSE OF CESSNA US-BASED VP FOR COMMERCIAL SALES ADEL OUBARI AND PRO-CESSNA INCLINATIONS OF PAF AND ARMY OFFICERS CONCERNED, NO SERIOUS EFFORT ON PART OF CESSNA MILITARY DIVISION WAS MADE TO SECURE SALE OF EVEN INITIAL TWENTY PLANES, AND IT NOW ALL BUT CERTAIN THAT CESSNA WILL BE EXCLUDED FROM LONG RANGE PLANS OF GOP TO BUY 200 OR MORE SUCH AIRCRAFT. KHAN SAID FURTHER THAT THIS MAY ALSO AFFECT CESSNA'S ABILITY TO SELL COMMERCIAL IN PAKISTAN, AND, MORE IMPORTANTLY, IN THE ENTIRE ARABIAN GULF AREA BECAUSE PAKISTANI PILOTS DO MOST OF THE TRAINING OF GULF STATE AIRFORCES.

4. COMMENT: WE UNDERSTAND THAT THIS TYPE OF AIRCRAFT EVEN MODIFIED TO CARRY ARMS IS NOT ON THE PROSCRIBED LIST OF MILITARY HARDWARE FOR SALE TO PAKISTAN, (KHAN SAID THIS WAS NEVER AN ISSUE IN ANY CASE.) ON THE SURFACE, IF KHAN IS TO BE BELIEVED, IT WOULD APPEAR THAT CESSNA HAS LOST AN OPPORTUNITY TO MAKE A SIGNIFICANT SALE OF US-MADE AIRCRAFT WHICH INDEED MAY HAVE REPERCUSSIONS ELSEWHERE IN THE REGION, RESULTING IN FURTHER LOSS OF SALES. POST WOULD APPRECIATE KNOWING, IF POSSIBLE, FRYE'S VERSION OF STORY, AND RATIONALE BEHIND CESSNA'S APPARENT FAILURE TO COMPETE ON THIS SALE.

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PAGE 03 LAHORE 01206 051239Z

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Message Attributes

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Disposition Approved on Date:
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Disposition Date: 28 MAY 2004
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